

# The Financial Times of Indiana

## Budget and Tax News from the Office of Governor Frank O'Bannon

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### The News in brief...

#### Special Session Set for May 14

At the behest of Governor Frank O'Bannon and Lieutenant Governor Joe Kernan, key Indiana lawmakers agreed today to reconsider bills to address the state's deficit and its need to restructure taxes. Proposals to accomplish those goals failed to pass during the 2002 session.

At a two-hour meeting held in the Governor's office today, lawmakers discussed their differing philosophies on how to address the two issues. The Governor notified the legislators that he would call them back for special session on May 14. Some lawmakers were hesitant to agree on specific approaches. Asked if that reluctance should cause the Governor to abandon plans for action this year, he was quick to say no.

"You never give up," Governor O'Bannon said. "These issues are too important to the State of Indiana."

O'Bannon and Kernan have been working since last year to develop plans to deal with the state's budget difficulties and the need to update the state's tax code, which dates back to the days when few Hoosiers had automobiles, only a few homes had a newfangled things like telephones, and computers were not yet envisioned by even the most cutting-edge researchers.

In the months since the Governor introduced a plan to deal with the state's growing fiscal challenges, Indiana's economy has worsened, revenues have continued to spiral downward and some cost containment initiatives he announced were not approved by the General Assembly and state courts. As a result, the need to address the looming \$1 billion deficit has increased and the threat to existing state services – including public school funding – have grown as well.

Similarly, conditions for the state's homeowners and its economic development climate have not improved because of the failure of the 21<sup>st</sup> Century Tax Plan, announced by Lieutenant Governor Kernan in October.

After the meeting today, O'Bannon and Kernan pledge to do everything they can to resolve the issues this year. O'Bannon also singled out for praise those lawmakers – House and Senate Democrats, as well as some Republicans – who during the session worked toward passing House Bill 1004.

For more information, visit the Governor's home page at <http://www.IN.gov/gov> or call the Governor's press office at 317-232-4578.

### Some Issues on the Budget

- If nothing is done to balance Indiana's budget, the state's projected general fund balance at the end of FY 2004 (6-30-04) will be negative \$364.4 million.
- This negative balance assumes no growth in education and general government expenditures.

### Some Issues on Tax Restructuring

- If no action is taken to restructure Indiana's tax system, property taxes, on average, will rise 14% for Hoosier homeowners.
- It will also mean no elimination or reduction of the business inventory tax, which still leaves Indiana as one of only two states in the Midwest to have such a tax (Ohio is the other, and is phasing it out).

### What Others are Saying

*"It's vital that lawmakers return to Indianapolis to address not just the budget but also the state's antiquated tax system."*

Indianapolis Star, April 5, 2002

*"Legislative leaders must heed O'Bannon's attempts to strike a compromise and return in a special session to adopt a budget that will mean, yes, tax increases."*

Fort Wayne Journal Gazette, April 5, 2002

### What's Next?

Governor O'Bannon and Lieutenant Governor Kernan have invited lawmakers to meet again on **Thursday** to further discuss the budget and restructuring issues.

**On May 14**, the Governor will convene a Special Session of the Legislature for lawmakers to vote on a new bill, which would:

- Protect public schools and other services;
- Protect homeowners from double-digit property tax increases and;
- Restructure taxes to grow better jobs.

### The Recession Continues

Indiana tax revenues for the month of March came in \$54 million below what budget analysts projected, increasing the gap in revenue to \$92 million below projections for the first 8 months of FY 2002.